



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

Government
Publications

CA1
IA 510
- A35

3 1761 11557662 1



Indian Oil and Gas Canada
2008-2009 Annual Report

Canada

Table of Contents

IFC Mandate

Overview of IOGC

- 1 CEO's Message
- 3 History of IOGC and Related Legislation
- 3 Statutory Authorities
- 3 IOGC Co-Management Board
- 4 Our Roles and Responsibilities
- 4 Life Cycle of Oil and Gas Agreements
- 6 Map of Canada Showing Indian Reserves

Key Initiatives

- 8 Implementation of the *First Nations Oil and Gas and Moneys Management Act*
- 9 Modernization of the Indian Oil and Gas Act and Regulations
- 9 Land Statutory Obligations
- 10 Streamlining the Royalty Process
- 10 Renewal of the Resource Information Management System
- 11 Automation of Interest with Accounts Receivable System
- 11 IOGC Response to Alberta New Royalty Formula

Operations

- 12 Overview
- 13 Map Showing Producing Indian Reserves
- 14 Dispositions
- 15 Elevated Interest in Treaty Land Entitlement Lands
- 16 The Environment
- 17 Oil and Gas Price Fluctuations
- 18 Production of Oil and Gas
- 19 Oil and Gas Royalties for First Nations
- 20 Drilling Wells
- 21 Notable Operational Improvements
 - 21 - Verification and Validation of Gas and Products Volumes
 - 22 - Developing New Royalty Regimes
 - 23 - Abandonment of Wells
- 24 Human Resources at IOGC
- IBC Financial Operations



Mixed Sources

Product Group from well-managed
forests and controlled sources

Cert no. SCS-COC-002886

www.fsc.org

© 1996 Forest Stewardship Council

Cover photo
Bison herd, Muncho Lake region,
British Columbia

Published under the authority of the
Minister of Indian Affairs and Northern
Development and Federal Interlocutor
for Métis and Non-Status Indians
Ottawa, 2009

www.oinc-inac.gc.ca

1-800-567-9604

TTY only 1-866-553-0554

QS-9003-014-EE-A1

Catalogue No. R1-5/2009E

ISBN 978-1-100-14905-9

© Minister of Public Works and
Government Services Canada

Cette publication est aussi disponible
en français sous le titre :
Pétrole et gaz des Indiens du Canada
Rapport annuel 2008 - 2009

Mandate

To fulfill the Crown's fiduciary and statutory obligations related to the management of oil and gas resources on First Nations lands.

To further First Nation initiatives to manage and control their oil and gas resources.

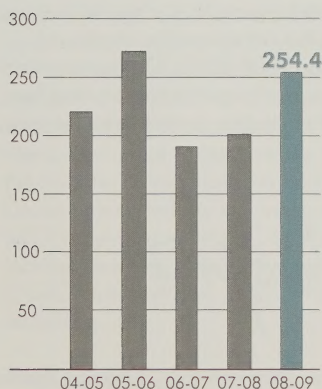
CEO's Message



Strater Crowfoot

Chief Executive Officer
and Executive Director

**Total Moneys Collected
on Behalf of First Nations
(\$ millions)**



Canada is the fifth largest energy producer in the world with approximately 500,000 people directly and indirectly employed in the oil and gas sector alone. At Indian Oil and Gas Canada (IOGC), we are guided by the recognition that First Nations people should have every opportunity to develop their resources and play a significant role in the industry and in the Canadian economy. Our work helps to increase First Nation participation in the oil and gas sector.

The volatile and often uncertain energy market in fiscal year 2008-2009 affected activity levels everywhere, including First Nation lands. Both oil and gas prices experienced large swings, with oil prices reaching record highs in July 2008, then plummeting to just one-fifth of that price five months later. Similarly, gas prices peaked in July 2008, and by the end of the fiscal year were at only half of the peak level. These price swings were a large contributing factor to volatility in the amount of monthly royalties that we collected: from \$26.9 million in July 2008 to \$9.0 million in January 2009. Even so, oil and gas activity on First Nation lands remained strong.

In total, we collected \$254 million in royalties, bonuses and other land moneys on behalf of First Nations during the fiscal year. This amount is up from \$202.4 million in 2007-2008. Over the last five years, we have collected over \$1 billion in total revenues. Industry invested \$56 million to drill more than one hundred wells on Indian reserves in both Alberta and Saskatchewan. We issued about 250 new surface agreements and at year end were administering about 4,550 surface agreements comprising 10,000 hectares and 760 subsurface agreements comprising 440,000 hectares.

This past year, Indian and Northern Affairs Canada (INAC) underwent some key organizational changes. IOGC, which had traditionally been part of the Lands and Trust Services sector, became part of INAC's newly created Lands and Economic Development (LED) sector in September 2008. LED is now under the direction of Ms. Sara Filbee, who became Assistant Deputy Minister (ADM) of the new LED sector in January 2009. We would like to welcome Ms. Filbee and are looking forward to continuing to work with her.

In recent years, IOGC has been engaged in a number of parallel projects aimed at improving our business practices, strengthening relationships with First Nations and companies, and ensuring we have a modernized regulatory and legislative regime in place for the future. Progress made on IOGC's key initiatives is included in the ensuing pages.

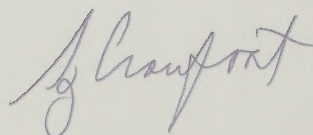
Supporting and encouraging First Nation control of oil and gas on their reserve lands is one of our primary goals. IOGC reached a significant milestone in 2006 when the *First Nations Oil and Gas and Moneys Management Act* (FNOGMMA) came into force. FNOGMMA is optional two-part legislation that enables First Nations to take control of their oil and gas and/or control of their moneys that would otherwise be held on their behalf by Canada. The oil and gas option of this act allows First Nations to assume control and management of their oil and gas resources and ensuing monies if their community members so choose.

Since the passage of FNOGMMA, work on implementation has gone full steam ahead. Environmental assessment regulations have been completed, and codes, laws and agreements specific to each participating First Nation have been developed. As necessary, appropriate negotiations with the provinces to clarify any outstanding issues are continuing. The three pilot First Nations must conduct ratification votes and obtain community approval before they can opt into FNOGMMA. The deadline for conducting the votes is January 31, 2010. If the votes are favourable, the resulting transfers of oil and gas management and control to the First Nations will become reality within several months. After the votes, we are looking forward to opening up the process for the oil and gas option of FNOGMMA to other interested and qualified First Nations. The moneys management option of FNOGMMA has already been opened up to other interested First Nations through the Indian Moneys Estates and Treaty Annuities Directorate of Indian and Northern Affairs Canada.

Modern regulations that keep pace and are responsive to both First Nation and industry needs are crucial to oil and gas development on First Nation lands. In cooperation with the Indian Resource Council (IRC), we continued to work diligently on the modernization of the *Indian Oil and Gas Act*. Last year, a drafting team worked carefully through successive drafts of the proposed amendments and a Joint Technical Committee met periodically to discuss any issues. Their collective efforts came to fruition with the passage through Parliament of Bill C-5, *An Act to Amend the Indian Oil and Gas Act*, which received Royal Assent on May 14, 2009. Work now begins on developing the Regulations. As with the Act, we will continue this process in cooperation with First Nations. Currently, we anticipate that our new regulations will be drafted and in the regulatory approval process within the next two to three years. The amended *Indian Oil and Gas Act* will not come into force until the Regulations have been completed.

The amount of work and dedication that was required for the legislative amendment cannot be underestimated. We are very appreciative of the efforts of so many, whose commitment to this work made Bill C-5 a reality. The legislative and regulatory regime that is being put in place will give First Nations and companies a modern regime that is responsive to the needs of both the industry and First nation communities, so all stakeholders will have a solid footing for the future.

I am proud of our achievements during the past year, and am optimistic that we will realize continued success in fiscal year 2009-2010. Our commitment to being a client-focused organization working for the betterment of First Nation communities remains as strong as ever.



Strater Crowfoot
Chief Executive Officer
and Executive Director

¹Statistics from Centre for Energy

History of IOGC and Related Legislation

The Government of Canada has a broad mandate relating to Indian affairs, which is derived largely from existing legislation and legal obligations arising from section 91(24) of the *Constitution Act*, 1867. The Department of Indian Affairs and Northern Development is entrusted with fulfilling various legal obligations of the federal government to Aboriginal peoples as outlined in treaties, the *Indian Act* and other legislation. Included in this obligation is the management of natural resources on Indian lands, including oil and gas.

Oil and gas development on First Nation reserve lands has been legislated since 1974 under the *Indian Oil and Gas Act* and, before that, under the

Indian Act. In 1977, the *Indian Oil and Gas Regulations* were revised and brought under the *Indian Oil and Gas Act* from the *Indian Act*. The Regulations were revised again in 1995.

In 1987, Indian Oil and Gas Canada was established, replacing Indian Minerals West, as a dedicated branch within the Department of Indian Affairs and Northern Development to manage oil and gas development and to further First Nation initiatives to manage and control their resources. In 1993, Indian Oil and Gas Canada was affirmed as a Special Operating Agency to increase its client focus.

Statutory Authorities

We operate in accordance with provisions of the *Indian Oil and Gas Act* and the *Indian Oil and Gas Regulations*, 1995.

We also operate in accordance with associated federal legislation, including provisions of the *Indian Act*, the *Canadian Environmental Assessment Act*, the *Financial Administration Act* and other relevant legislation.

IOGC Co-Management Board

Indian Oil and Gas Canada (IOGC) operates under the direction of a Chief Executive Officer/Executive Director who participates as a member of the Board of Directors. The Board was established in 1996 by the signing of a Memorandum of Understanding (MOU) between the Minister of Indian Affairs and Northern Development and the Indian Resource Council (IRC) to co-manage IOGC operations. The Board focuses on areas of collective interest such as IOGC issues, policies, plans, priorities and resources.

There are up to nine members on the Board. The Board is made up of the IRC Chair and five other members appointed by the IRC plus three members appointed by the Crown. The Crown members are

the Assistant Deputy Minister of Lands and Economic Development at Indian and Northern Affairs Canada; the CEO and Executive Director of IOGC; and an industry representative. Two members of the IOGC Co-Management Board, the Chair of the IRC and the Assistant Deputy Minister of Lands and Economic Development, serve as co-chairs. At the end of the fiscal year, the co-chairs were Councillor Errnol Gray of the Aamjiwnaang First Nation in Ontario, the Chair of the IRC, and Ms. Sara Filbee, the Assistant Deputy Minister.

The IRC is a First Nation organization that represents more than 130 First Nations nationally with oil and gas interests. More information can be found on their website at www.IndianResourceCouncil.ca.

Life Cycle of Oil and Gas Agreements on First Nation Reserve Lands

1. Land for Leasing

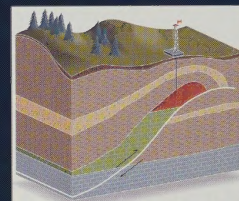
Prior to leasing, IOGC confirms reserve title to the land and verifies that the lands are designated, which allows IOGC to manage the First Nation's oil and gas resources.



Land at Halfway River First Nation, British Columbia.

2. Subsurface Agreements

Subsurface agreements provide companies with rights to drill and to produce oil and gas. IOGC assists the First Nation to negotiate agreements with companies and also ensures fair returns before IOGC and the First Nation approve the agreement. IOGC drafts, issues and administers the agreements and collects bonuses, royalties and rents from companies on behalf of the First Nation.



Drawing of a well drilled into a subsurface formation. Courtesy of Centre for Energy (formerly Petroleum Comm. Foundation)

3. Seismic Programs

Exploratory licences provide companies with surface access to conduct seismic activity. A company must submit an environmental assessment, as part of the exploratory licence application, to IOGC and the First Nation. IOGC collects compensation for the exploratory work from companies on behalf of the First Nation.



Drilling rig for seismic shot holes at Big Island Lake Cree Territory, Saskatchewan.

4. Surface Agreements

Surface agreements provide companies with the right to construct surface facilities such as well sites and access roads or to install pipelines. A company must submit an environmental assessment, to IOGC and the First Nation, with their surface lease or right-of-way application. IOGC ensures that environmental protection standards are met before IOGC and the First Nation approve the agreement. Additionally, companies must conduct ongoing environmental monitoring during construction and operation phases. IOGC administers the agreements and collects initial considerations and annual rents from companies on behalf of the First Nation.



Construction of surface site on Bigstone Cree Nation lands, Alberta.

5. Drilling Wells

A company must have a surface lease, submit a provincial well licence to the First Nation and IOGC, and notify the First Nation and IOGC prior to drilling. IOGC collects drilling information from companies for statistics and other purposes, such as helping with IOGC's interpretation of the geology under the reserve.



Drilling rig on Stoney Nation lands, Alberta.

6. Production

IOGC monitors and evaluates all aspects of oil and gas production from drilling to abandonment, such as monitoring offset drilling and ensuring proper measurement and production reporting. IOGC ensures that production occurs in a sound environmental manner and that royalties are calculated accurately, including auditing prices and deductions. IOGC collects royalties on behalf of the First Nation.



Oil tanks at O'Chiese First Nation, Alberta.

7. Well Abandonment

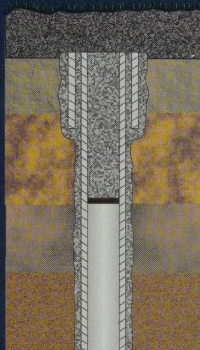
A company requires written permission from IOGC in consultation with the First Nation to abandon a well. IOGC checks the well for additional production possibilities.

8. Surrenders of Subsurface Agreements

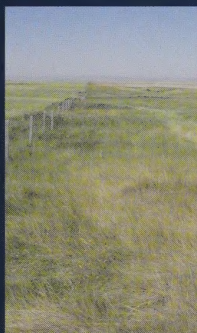
IOGC reviews all surrender requests in consultation with the First Nation. IOGC will process and execute the surrender, provided that the company is not in default of any part of the Regulations or the lease on First Nation reserve lands.

9. Surrenders of Surface Agreements (Remediation and Reclamation)

Before IOGC will consider a surface surrender, companies must abandon any wells, remove any facilities, conduct remediation if necessary and reclaim the area. The surrenders of surface agreements are approved by IOGC following confirmation, by inspection with the First Nation, that reclamation is satisfactory.



Simplified drawing of cement plug in abandoned wellbore. Not to scale.



Reclaimed site of former access road on Siksika Nation lands, Alberta.

Our Roles and Responsibilities

Indian Oil and Gas Canada is a special operating agency within Indian and Northern Affairs Canada. We are responsible for managing and regulating oil and gas resources on First Nation reserve lands across Canada.

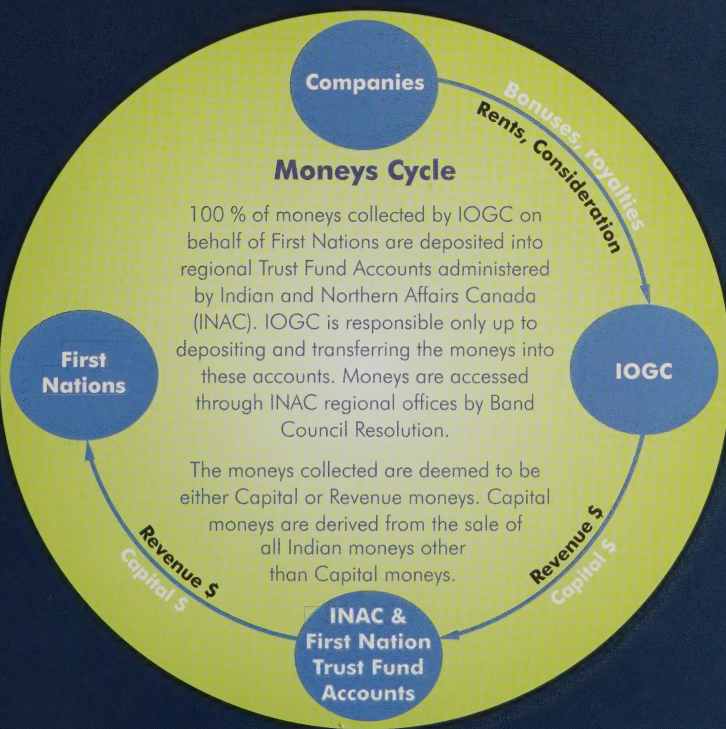
Our operations are co-managed by IOGC's Co-Management Board, which includes First Nations and Crown members. We currently manage the oil and gas resources of more than 50 First Nations with active oil and gas agreements. All funds collected on behalf of First Nations are placed in their trust accounts; in fiscal year 2008-2009, we collected \$254 million on behalf of First Nations. These funds demonstrate the large potential that oil and gas development has to improve the participation of First Nations in the Canadian economy.

Our main functions are to assist First Nations that have designated reserve lands in the oil and gas process, as follows:

- Negotiate, issue and administer agreements with oil and gas companies;
- Conduct environmental screenings;
- Monitor oil and gas production and sales prices;
- Verify/assess and collect moneys such as bonuses, royalties and rents; and
- Ensure legislative and contract requirements are met.

We work closely with a First Nation's Chief and Council: their approval is required for all deals.

More information on our functions may be found on our website, www.iogc-pgic.gc.ca.



Canada's Seven Hydrocarbon Regions



Canada's seven hydrocarbon regions are those areas of Canada that are composed of sedimentary rock, which is the type of rock that can hold oil and natural gas.

Legend

- Indian Reserve

Hydrocarbon Region:

- Pacific Margin
- Intermontane
- Western Canada Sedimentary Basin
- Arctic Margin
- Arctic Cratonic
- Eastern Cratonic
- Atlantic Margin

Indian Oil and Gas Canada is responsible for managing the oil and gas from surrendered or designated First Nation reserve lands across Canada.

There are about 3,000 First Nation reserves in Canada, almost all of which are south of the 60th parallel.

First Nation reserve lands must be “designated” for the development of oil and gas pursuant to the *Indian Act*. Currently there are about 300 such designated reserves spread across British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, with one in the Northwest Territories.

About Designation

The *Indian Act* requires First Nation members to approve their reserve land for oil and gas development before reserve land is leased or interests therein are granted for oil and gas. This process is called a designation, where the First Nation “surrenders” the land in a manner which is not absolute to Her Majesty in Right of Canada through a referendum. The *Indian Act* lays out the requirement and process for surrenders and designations. Designations for oil and gas development began as early as 1887, however most occurred during the 1940s and 1950s when oil and gas development nationally was escalating. Currently, about 300 Indian reserves across Canada are designated for oil and gas development.

KEY INITIATIVES

During fiscal year 2008-2009, IOGC focused on several key initiatives that are designed to accomplish the following objectives:

- Prepare for and progress towards First Nation management and control of their resources; and
- Continue ongoing modernization and improvement of processes and service levels.

KEY INITIATIVE

Implementation of the *First Nations Oil and Gas and Moneys Management Act (FNOGMMA)*

Background

The First Nations Oil and Gas and Moneys Management Initiative, formerly known as the Pilot Project, was launched in 1994 with the aim of enabling several interested First Nations to assume control and management of their oil and gas resources. Over the past decade, the Blood Tribe, Siksika Nation and White Bear First Nation have each been working closely with IOGC to develop their capacity in order to assume control and management of their oil and gas resources.

During capacity development, key findings and complex issues arose which indicated that if the complete transfer of oil and gas resource management to First Nations was to be successful, new enabling legislation would be needed. The three First Nations have been full participants in the design of the two-part optional legislation, the *First Nations Oil and Gas and Moneys Management Act (FNOGMMA)*.

The first part of FNOGMMA enables a First Nation to assume management and control of oil and gas exploration and exploitation currently carried out on its behalf by Indian Oil and Gas Canada (IOGC), plus control of the future moneys generated by the oil and gas activity. The second part enables a First Nation to receive and manage all moneys that are held, or that otherwise would be held on their behalf, by Canada. A First Nation may opt into either one or both of the parts.

Status

FNOGMMA, which received royal assent on November 25, 2005, came into force on April 1, 2006. There are

two sets of regulations attached to the Act to establish rules and procedures for FNOGMMA implementation. Voting regulations, which came into force on October 19, 2006, relate to conducting a First Nation membership vote and to Canada's authorization of a First Nation's opting-in to FNOGMMA. Environmental regulations, which came into force on January 24, 2008, relate to the roles and responsibilities of conducting environmental assessments on reserve lands subject to FNOGMMA.

The three pilot First Nations have completed the final documentation of required agreements. Ratification votes, which were intended to be held in March 2009, now have a deadline of January 31, 2010. If their communities vote in favour of opting into FNOGMMA, these First Nations should take full management and control of their oil and gas within six to eight months of the votes.

IOGC has been active in preparing for the ratification votes to be held. Under the agreements with the pilot First Nations, we were to provide copies of all relevant files to each First Nation. To meet this obligation, we reviewed and copied 5,579 files filling 346 boxes relating to oil and gas activities on the lands of the three pilot First Nations.

It is planned that the oil and gas management option of FNOGMMA will be opened up to other First Nations on April 1, 2010. IOGC has developed entrance criteria and a FNOGMMA implementation policy to allow other interested and qualified First Nations to enter the oil and gas management option of the legislation. The moneys management option was opened up to First Nations in June 2008 through the Indian Moneys Estates and Treaty Annuities Directorate of Indian and Northern Affairs Canada.

KEY INITIATIVE

Modernization of the *Indian Oil and Gas Act* and Regulations

Fiscal year 2008-2009 was a milestone year for the initiative to modernize the *Indian Oil and Gas Act* and the *Indian Oil and Gas Regulations*. After years of development, *An Act to amend the Indian Oil and Gas Act* was introduced into Parliament in June 2008 as Bill C-63. Although this bill died on the order paper when a federal election was called in fall 2008, it was re-introduced as Bill C-5 in January 2009. The bill passed through the Parliamentary process, received Royal Assent on May 14, 2009 and will come into force when the *Indian Oil and Gas Regulations* are modernized.

Work to modernize the *Indian Oil and Gas Act* was done in partnership with the Indian Resource Council (IRC). This work will continue with the modernization of the *Indian Oil and Gas Regulations*. Direct consultations with a majority of the oil and gas producing First Nations also assisted in the development of proposed amendments. Additionally, two Joint Technical Committees (JTC) were established to ensure a continuing level of active and meaningful involvement by First Nations in the modernization process. The JTC #1 was directly involved in the process to draft the changes to the *Indian Oil and Gas Act*, working within the federal legislative process to receive drafts of the legislation and provide comments. It will also be

involved in the development of amendments to the *Indian Oil and Gas Regulations*. The JTC #2 will mainly operate at a strategic level and, among other things, will look at oil and gas and governance issues that fall outside the scope of the JTC #1. Their work will provide a strong foundation for a continuous change process for the *Indian Oil and Gas Act* and the *Indian Oil and Gas Regulations*.

While the bill was in Parliament, both IOGC and the IRC played crucial roles. IOGC briefed MPs and Senators and appeared before Standing Committees in both the House and Senate. Executive members of the Indian Resource Council provided key support for the bill and also appeared before the Standing Committees. During the Parliamentary committee phase of *An Act to amend the Indian Oil and Gas Act*, one amendment was made that will require IOGC to report directly to Parliament every two years on a variety of topics, including the incorporation of provincial law.

Now that legislation to amend the *Indian Oil and Gas Act* has been passed, work on modernizing the regulations is beginning. Currently, it is expected that amended regulations will be drafted and put in the regulatory approval process by mid-fiscal year 2010-2011.

KEY INITIATIVE

Land Statutory Obligations

In fiscal year 2008-2009, IOGC's Land Division embarked on a new IOGC key initiative regarding statutory obligations. The purpose of this initiative is to both improve client services and to provide clearer operational guidelines by standardizing business functions.

During fiscal year 2008-2009, the specific focus was on:

- Reducing historical backlogs of work in Surface Land;
- Creating automated processes for audit and reclamation in the Environment Unit; and
- Creating standardized processes around Subsurface and Negotiations activities.

The initiative was very successful in its first year, helped by slowing oilpatch activity midway through the fiscal

year as oil and gas prices plummeted, freeing up some extra time from IOGC staff that normally would have been busy handling regular operations. The successes include:

- Over a 70% reduction in backlog assignments;
- Reductions in administrative backlogs and time lines after issuances;
- Standardized negotiated terms developed;
- Draft streamlined subsurface lease template created; and
- Initial changes to IOGC's Resource Information Management System (RIMS) for the management of environmental audits.

Future work for this key initiative includes implementation of the standardized subsurface template, further reductions in backlog volumes and finalization of environmental audit system development in RIMS.

KEY INITIATIVE

Streamlining the Royalty Process

Background

The main goal of the project to streamline the royalty process is to ensure that the royalties collected on behalf of First Nations are as accurate and timely as is reasonably possible. The project also supports the automatic calculation of interest and involves extensive changes to current royalty processes. It includes taking advantage of the technology available for electronic submission of information over the Internet.

IOGC's royalty processes were reviewed in fiscal year 2003-2004. By June 2004, IOGC had developed a new business model with revised business rules, procedures and processes including electronic submission. An implementation plan, complete with process training documentation and change management considerations, was developed as of March 2005. IOGC's system to receive electronic submissions of royalty data went live in April 2005.

Status

During fiscal year 2008-2009, we developed a new release of the Gas Cost Allowance (GCA) module for IOGC's Resource Information Management System

(RIMS). Implemented in June of 2009, this subsystem is designed to incorporate several changes to the way GCA is calculated. These changes make the calculation of GCA more consistent from company to company and provide better assurance that all royalty payors are treated fairly. In addition, the subsystem provides additional analysis tools for performing year-over-year comparisons of GCA submissions to ensure that the data submitted is reasonable. The subsystem is now in production and is being used for the review and approval of 2008 actual GCA data. There are still some developmental issues being worked through, but the end result of this effort will be a more tightly controlled and consistent GCA system.

During the year, we also posted our operational volumetric policy on our website. We are currently working on a production reporting review handbook and a volume certification manual, which should be completed during fiscal year 2009-2010.

The remainder of the planned improvements relating to this initiative deal mainly with RIMS, and will be better made under the umbrella of our new key initiative, Renewal of RIMS. Therefore, the initiative to streamline the royalty process has been completed in its current form.

KEY INITIATIVE

Renewal of the Resource Information Management System (RIMS)

During fiscal year 2008-2009, IOGC initiated a new key initiative to renew our Resource Information Management System (RIMS). RIMS is our operational database that stores information regarding all surface and subsurface agreements, Indian interest wells and royalty entities and is also a financial system for both land and royalty transactions, including performing calculations of royalties owing to First Nations. It is critical to our operations.

RIMS was initially developed in the early 1990s and was completed in two stages. The first stage was the creation of a royalty and accounts module, followed by the addition of land leasing records and associated obligations. RIMS contains information from 1990 onward.

Over the years, many enhancements and modifications have been made to RIMS as part of ongoing business improvements and updates. However, there are now life cycle issues with aspects of RIMS and parts of the basic

data architecture that must be changed to reflect current industry practices. Moreover, the *Indian Oil and Gas Act* has been modernized and we will soon be drafting amendments to the *Indian Oil and Gas Regulations*: these amendments will necessitate changes to our operations, processes and systems, including RIMS.

With the combination of life cycle issues around RIMS and upcoming changes as a result of regulatory modernization, significant investments must be made to renew RIMS. To this end, we instituted a new position, Director of Strategic Projects, late in the fiscal year. This position is responsible for the renewal of RIMS, and by year end the incumbent had begun to scope the extent of the changes and to investigate options and requirements for conducting system developments of this magnitude. As part of the renewal, we will be considering new functionalities, including geographic information system (GIS) developments, work flow management and increased communications with First Nations regarding their oil and gas transactions.

KEY INITIATIVE

Automation of Interest with Accounts Receivable System

Indian Oil and Gas Canada (IOGC) collects moneys on behalf of First Nations relating to the exploration and production of their oil and gas. Moneys collected fall into the broad categories of land moneys and royalty moneys, with land moneys including things such as bonuses, initial considerations and annual rentals. Royalty moneys are collected on the production of First Nation oil, gas and gas products.

Interest has been collected on late moneys by preparing letters advising companies of outstanding amounts and interest required pursuant to the *Interest and Administrative Charges Regulations*.

We are automating the collection of interest on the late payments of these First Nation trust funds by implementing an accounts receivable system within IOGC's Resource Information Management System (RIMS). The project is split into two phases, land development and royalty development.

We completed the development of the land statement system and commenced monthly distribution of land statements in May 2006. As a result of the implementation, there has been an increase in

compliance with payments generally being on time. The overall response from companies to this initiative has been positive.

During fiscal year 2008-2009, we continued to work on the royalty phase of the project. We completed the development of the royalty statement in RIMS, and are currently tackling the large job of preparing royalty data prior to implementation of the monthly royalty statement. Once this phase is complete, monthly receivable statements for royalty will also be generated automatically and sent to companies.

Additionally, we completed some work in related areas, including internal system changes to streamline the handling of moneys in suspense. We also implemented a single address for service for each company, moving away from our previous practice of keeping track of multiple addresses. Finally, we completed system development for collection processes to automate the generation of Direction to Comply letters, and provide tracking and reporting on outstanding amounts. These changes will be implemented in fiscal year 2009-2010 to replace manual processes.

KEY INITIATIVE

IOGC Response to Alberta New Royalty Formula

During fiscal year 2008-2009, IOGC introduced a new key initiative in response to Alberta's New Royalty Formula (AB NRF). Many of the royalty structures used by First Nations in Alberta are based on those of the Alberta government for reasons of competitiveness and harmonization and have been affected by Alberta's changes. In total, about 70% of royalties on First Nations lands in Alberta are based on Alberta provincial structure. The AB NRF affects more than 200 active subsurface leases with IOGC, 40 First Nation reserves, and 55 royalty payors.

Under our new key initiative, we are evaluating the impacts to IOGC and First Nations of the AB NRF and are looking at amendments to business processes and systems where required. During the fiscal year, we identified areas in our implementation of the AB NRF where it would be beneficial to use our own calculation methodologies rather than exact Alberta methodologies. In February 2009, we held industry information sessions regarding our implementation of the Alberta royalty changes and effects on IOGC's reporting requirements for industry. We have also informed affected First Nations of the changes.

Background

The Alberta Government initiated a royalty regime review entitled "Our Fair Share" and appointed the Alberta Royalty Review Panel to conduct studies and public meetings. It presented its findings on September 18, 2007.

On October 25, 2007, Alberta announced significant changes to its royalty regime applicable to oil, gas and crude bitumen in the province. Changes to the royalty regime mechanics were implemented in January 2009, to allow time for Alberta legislative and administrative system changes.

Numerous other changes were announced by Alberta both before and after the January 2009 implementation date. These additional changes were made in response to industry feedback and "unintended consequences," as well as plummeting oil and gas prices in the latter half of 2008 and the global economic downturn. Some of these modifications constitute what IOGC deems special incentives, and thus are not applicable to royalty calculations for First Nations.

Operations

Overview

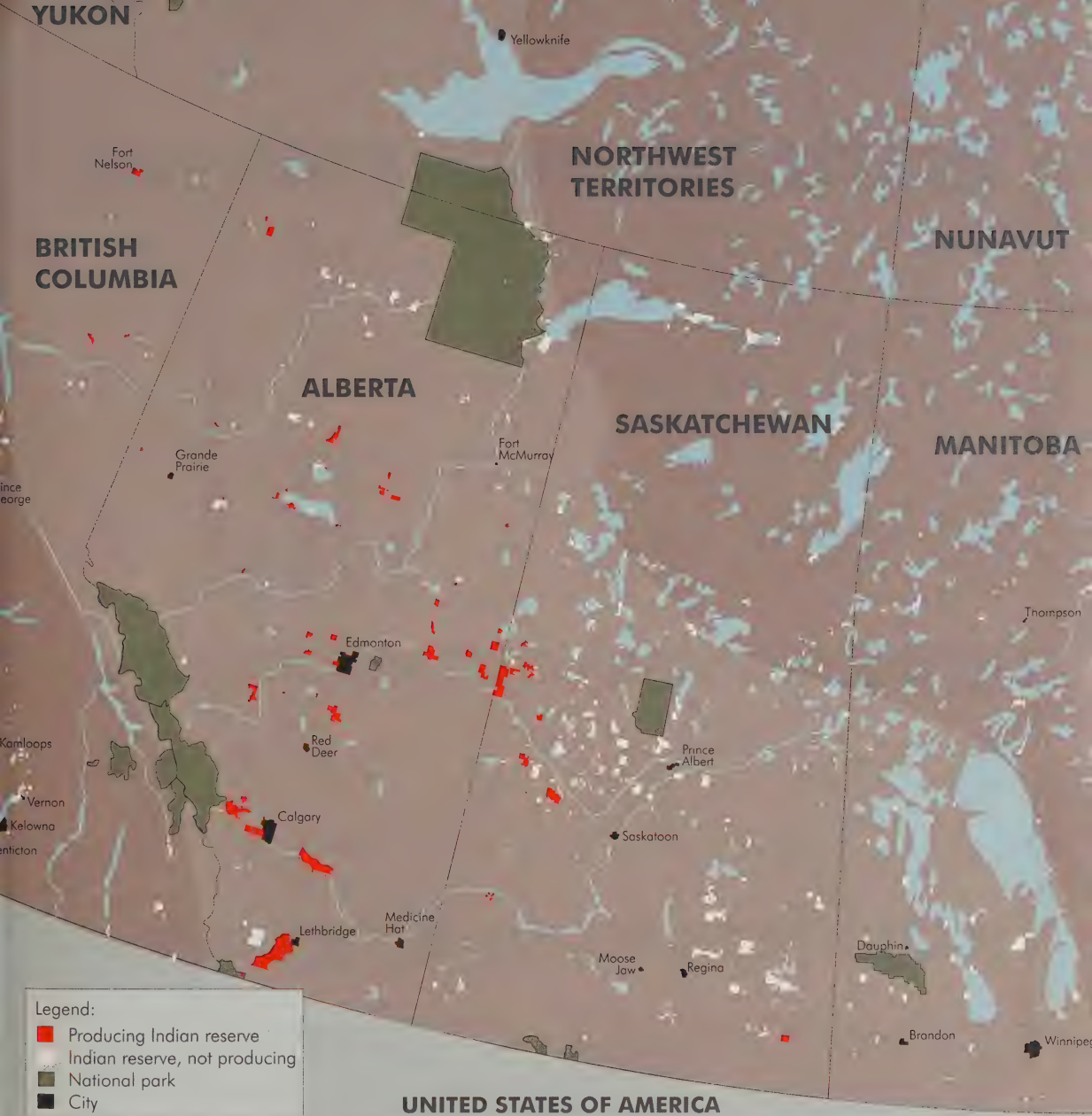
Indian Oil and Gas Canada has four distinct units that regulate and manage the exploration and development of First Nations oil and gas resources. The Executive Unit is accountable for overall agency planning and direction, consultation, policy development, pilot project management, communications and overall executive and legal services. The Land Unit issues and administers agreements on First Nations lands. The Production Unit monitors production from First Nation lands and ensures the accurate collection of royalties. The Planning and Corporate Services Unit is responsible for corporate planning, finance, administration and human resources.

The objective of our operations is the sound management of First Nations' oil and gas resources. There are three key outputs from our operations:

- Disposition of new agreements and the ongoing management and administration of active oil and gas related surface and subsurface interests (permits, leases, rights-of-way, etc.);
- Management and administration of oil and gas royalties, including gas cost allowance (GCA) deductions, royalty verification and assessment, reconciliation and audit (re: volume, price and GCA); and
- Deposit of funds for First Nations related to current agreements and royalty production.

There are about 300 Indian reserves across Canada that are designated for oil and gas development. Of these, more than 120 have active oil and gas agreements, and 69 had oil and/or gas production during fiscal year 2008-2009.

Province	Treaty Area	Number of Indian Reserves
Alberta	A	23
	T	6
	B	17
British Columbia	B	3
Saskatchewan	2	2
	4	1
	5	17
Total		69



Map of Western Canada Sedimentary Basin Showing Indian Reserves Producing Oil and/or Gas

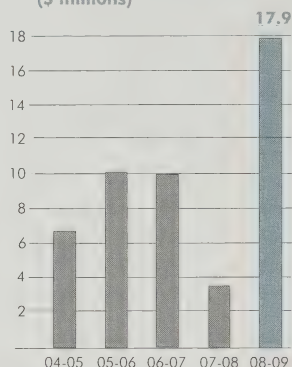
The Western Canada Sedimentary Basin is the most prolific hydrocarbon region of Canada, accounting for the vast majority of crude oil and natural gas. The map shows the approximate boundaries of the Western Canada Sedimentary Basin.

Areas within the Basin have the potential for production. Areas outside the Basin have no potential for production either now or in the foreseeable future.

Dispositions

Dispositions of oil and gas rights on Indian reserve lands are done through subsurface agreements, which provide companies with rights to drill and to produce oil and gas. IOGC assists First Nations to dispose of their oil and gas rights through the granting of subsurface agreements, including helping to negotiate these agreements with companies and ensuring fair returns for First Nations. IOGC drafts, issues and administers the agreements and collects bonuses, royalties and rents from companies on behalf of First Nations. Bonuses are received from the issuance of new subsurface agreements, and tend to fluctuate from year to year since they are derived from a small number of large transactions.

Bonus Moneys Collected on Behalf of First Nations over Last Five Fiscal Years (\$ millions)



Summary of Negotiated Subsurface Permits Initiated during FY 2008-2009*

First Nation	Company	Area Disposed (Hectares)
Fort McMurray #468 (AB)	McMurray Energy Corp.	2,316.30
Piikani (AB)	EOG Resources Canada Inc.	41,776.40
Woodland Cree (AB)	Woodland Cree Energy Inc.	15,936.11
Total		60,028.81

Summary of Negotiated Subsurface Leases Initiated during FY 2008-2009

First Nation	Company	Area Disposed (hectares)
Alexander (AB)	Crocotta Energy Inc.	2,017.82
	Petro-Reef Resources Ltd.	11.20
Bobtail (AB)(extinct)	Canadian Natural Resources Limited	176.80
Frog Lake (AB)	Frog Lake Energy Resources Corp.	256.00
Loon River Cree (AB)	Harvest Operations Corp.	930.45
Ocean Man (SK)	Petrobank Energy and Resources Ltd.	1,826.90
Saddle Lake (AB)	True Energy Inc.	68.00
Samson (AB)	Pengrowth Corporation	19.60
Saulteaux (SK)	Triple Five Ventures Xix Ltd.	1,661.29
Total		17,255.28

* A total of 3,122.36 hectares of permit lands were converted to 5 leases during fiscal year 2008-2009.

Elevated Interest in Treaty Land Entitlement Lands

Record high oil prices in the summer of 2008 resulted in elevated interest associated with Saskatchewan Treaty Land Entitlement (TLE), especially in regard to a potential oil play in the Bakken formation. Both companies and First Nations brought forward to IOGC for evaluation, unique and inventive proposals including multiple First Nation amalgamations for land acquisition in lieu of bonuses. We evaluated these proposals and adhered to our disposition policy, which emphasizes the requirement of fair return to the First Nation for their oil and gas rights. To encourage First Nation involvement and participation in these innovative proposals, we recommended the use of the First Nations Oil and Gas and Moneys Management Act.

We also continue to issue both new dispositions on recently acquired TLE reserve lands, and TLE replacement agreements, where the lands that are selected for TLE already have oil and gas agreements. As of March 31, 2009, we were administering 199 active oil and gas agreements on TLE lands, as follows: 59 rights-of-way, 35 surface leases and 105 subsurface leases. We are also in the process of issuing 287 TLE replacement agreements, with an additional 62 on which work is yet to begin.

As First Nations and industry explore creative partnerships, it is clear that we must be responsive to the business environment while balancing and maintaining our fiduciary role. These challenges will be explored further as we embark on regulatory change.

What is Treaty Land Entitlement?

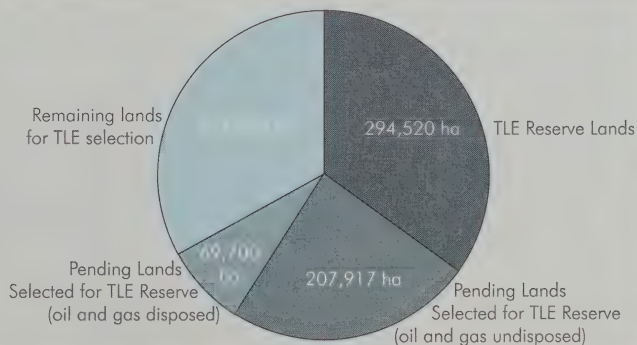
Treaty Land Entitlement (TLE) claims are a type of land claim arising from the fact that some First Nations did not receive all the land they were entitled to under treaties signed with the Federal Crown.

For Alberta and Saskatchewan First Nations that signed or adhered to Treaties 4, 6, 7, 8 and 10, which were concluded between 1874 and 1906, treaties generally required Canada to allocate reserve land to First Nation based on the size of each family. Many of the reserve land obligations, however, were not fulfilled at the time of treaty due to inaccurate counts of band members or because not enough land was set apart when reserves were first surveyed.

Today, the TLE process exists to fulfill these outstanding obligations.

Treaty Land Entitlement Lands in Saskatchewan

Most Treaty Land Entitlement in which IOGC is involved occurs in Saskatchewan. There are currently 851,643 hectares of lands in varying stages of the TLE process in Saskatchewan. Some TLE lands have already gained reserve status, some have been selected but have not yet gained reserve status, and some have yet to be selected.



The Environment

Environmental stewardship

IOGC provides environmental stewardship for the complete life cycle of upstream oil and gas activities on First Nation reserve lands.

Before we grant approval to a company to conduct a surface oil and gas activity, we review the company's application, which must contain an environmental assessment. The types of activities that require environmental assessments include exploratory or seismic work, drilling for oil and gas, flow lines, service wells, remediation and access roads. We ensure that potential environmental impacts are mitigated before IOGC and the First Nation approve the application.

Additionally, we register project applications, upon their receipt, in the Canadian Environmental Assessment Registry pursuant to the *Canadian Environmental Assessment Act*. The Registry aims to help the public find information and records related to current environmental assessments (EA) and provides timely notice about the start of an EA and opportunities for public participation.

After construction of surface facilities and sites, we monitor industry compliance with environmental requirements during their operation. We review the environmental audits that companies are required to submit regularly and also perform field inspections where necessary.

After operations of a surface facility or site have ceased, companies must abandon wells, remove facilities, conduct remediation if necessary and reclaim the area. We will approve the surrenders of surface agreements following confirmation, by inspection with the First Nation, that reclamation is satisfactory.

IOGC Environmental Service Standards and Results in Fiscal Year 2008-2009

Task	Service Standard	No. of Applications	Results
Review of environmental assessments	Review completed within four weeks of receipt of an environmental assessment	247	89%*
Register projects into the Canadian Environmental Assessment Registry	Projects are entered into Registry within one day of receipt of the application	247	94%
Review of environmental audits	Review completed by March 31 for those audits due by December 31 of the previous year	313	84%

* The instances in which this service standard was not met involved waiting for additional information from the applicants.

Oil and Gas Price Fluctuations

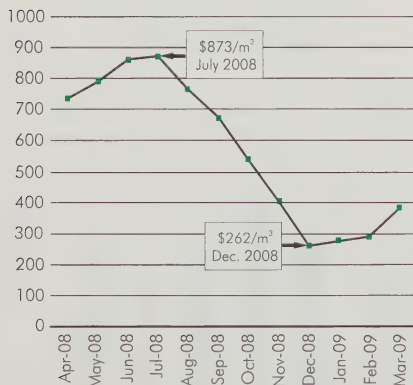
2008-2009 was memorable for IOGC in many ways, not the least of which were the ups and downs experienced in the oil patch, especially in regard to oil and gas prices. This unpredictability affects the industry as a whole and inevitably also affects oil and gas development on First Nation lands.

Both oil and gas prices experienced large swings during the fiscal year. Oil prices reached a record daily high of US \$147 per barrel in July 2008, then plummeted to US \$30 per barrel just five months later as the global economic downturn took hold. The monthly average Edmonton reference price for light sweet crude oil also saw a high in July 2008 and a low in December 2008, with prices of Cdn \$873 per cubic metre and Cdn \$262 per cubic metre respectively.

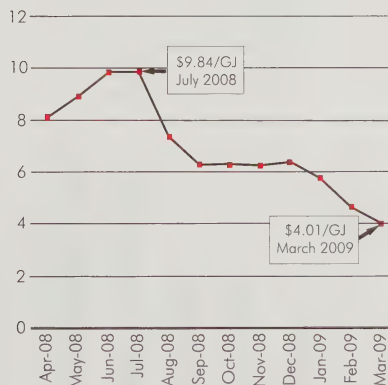
Similarly, the high of the monthly average gas price, specifically the Alberta gas reference price, occurred in July 2008 at \$9.84 per gigajoule, but had dropped to less than half of that by March 2009 at just \$4.01 per gigajoule. Gas prices continued to drop into fiscal year 2009-2010, and the average price during July 2009 was only \$2.94 per gigajoule, less than one third of the peak price a year earlier.

These price swings were the main contributing factor to volatility in the amount of monthly royalties that IOGC collected on behalf of First Nations during 2008-2009. The majority of the royalties that IOGC collects are from gas production, so swings in gas prices have the most effect on total First Nation royalties. IOGC collected \$75 million during the second quarter of the fiscal year, but just \$28 million during the last quarter.

**Monthly Average Oil Prices
during Fiscal Year 2008-2009
Edmonton Reference Price
(\$/cubic metre)**



**Monthly Average Gas Prices
during Fiscal Year 2008-2009
Alberta Reference Price
(\$/gigajoule)**



Production of Oil and Gas

Oil

Fiscal year 2008-2009 saw the highest levels ever of oil production from First Nation lands, with a total of 735 thousand cubic metres. This amount was slightly more than the previous year's total of 724 thousand cubic metres, which was a dramatic increase from levels during prior years. Record high oil prices seen during late fiscal year 2007-2008 and early 2008-2009 strongly influenced these results.

Fiscal year 2008-2009 is the fifth year in a row in which oil production from First Nation lands has increased, mainly as a result of more exploitation of heavy oil resources. The strong oil prices seen over most of the last several years has made production of heavy oil resources, which are almost always more costly to produce than light oil, more economic. The majority of current oil production from First Nation lands is heavy oil.

Late in fiscal year 2008-2009, oil prices experienced their lowest levels since early 2004. However, oil prices since then have largely

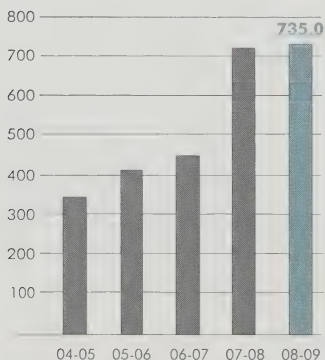
rebounded, and IOGC anticipates continued interest in heavy oil on First Nation lands.

Gas

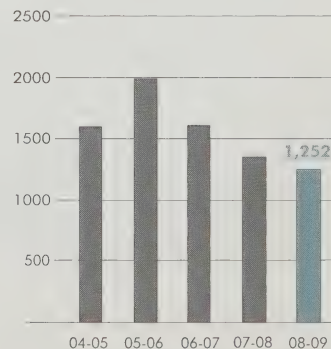
Fiscal year 2008-2009 is the fourth year in a row in which the volumes of gas produced from First Nation lands decreased, and follows an overall ten-year trend of decreasing gas production. Gas sales volumes from First Nation lands peaked in fiscal year 1999-2000 at 2,510 million cubic metres. During fiscal year 2008-2009, volumes were half that at 1,252 million cubic metres, the lowest level since the beginning of the 1990s.

The decreasing trend over the last decade is the result of aging of the Western Canadian Sedimentary Basin, in which all First Nation oil and gas production is currently based. Most gas wells brought on production nowadays are producing from either smaller gas pools or unconventional sources such as coal beds and shale deposits, as the large conventional gas pools have already been discovered. These wells exhibit faster declines in production and

**Oil Production from
First Nation Lands
(Thousand cubic metres)**



**Gas Sales Volumes from
First Nation Lands
(Million cubic metres)**



often produce for only a few years before being shut in. Continued strong drilling levels every year are necessary for new wells to replace production from shut-in wells.

Gas prices during fiscal year 2008-2009

dropped precipitously and led to the lowest level of newly drilled gas wells on First Nation lands in a decade. IOGC anticipates that overall First Nation gas production during the coming few years will continue to decline.

Oil and Gas Royalties for First Nations

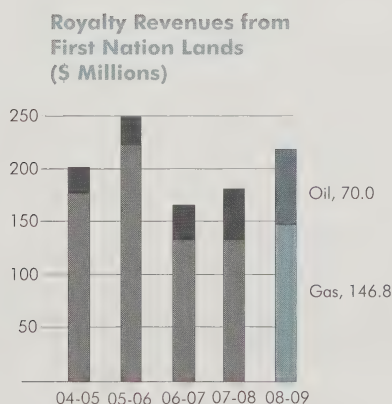
Royalties account for the majority of revenues that IOGC collects on behalf of First Nations. Fiscal year 2008-2009 saw IOGC collect \$216.8 million of royalties, the third-highest level ever collected by IOGC. Only two fiscal years have been higher: 2005-2006 at \$249.8 million, and 2000-2001 at \$280.2 million.

The royalties collected during fiscal year 2008-2009 were 20% higher than those collected the previous year. The increase is attributable to the high oil and gas prices that existed for much of the first half of the year.

Oil royalties collected were \$70 million, 46 per cent higher than the previous fiscal year of \$47.8 million. These two fiscal years were the highest levels ever of oil royalties collected. The strong

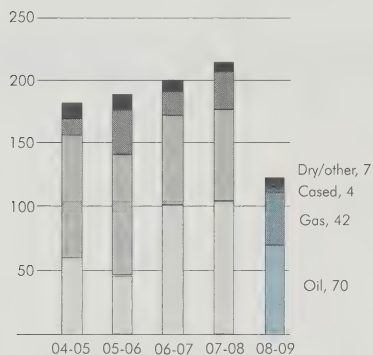
prices have meant that companies could get good monetary returns on investment in oil, so much drilling for oil and activity in the heavy oil areas has taken place. Oil production on First Nation lands correspondingly experienced the highest levels ever during the last two fiscal years.

The gas royalties of \$146.8 million collected by IOGC during fiscal year were 10 per cent higher than the previous fiscal year, despite the decreased production levels over the same time period. The increase in royalties is attributable to the very high gas prices that existed for a few months of the fiscal year, prices that were at levels not seen since fiscal year 2005-2006. Most of the royalties that IOGC collects are from gas production, so fluctuations in gas prices have the most effect on total First Nation royalties.



Drilling Wells

Wells Drilled on First Nation Lands



During fiscal year 2008-2009, there were 123 wells drilled on First Nation lands, the lowest level in a decade. The lower drilling rates are largely a result of the economic downturn and the low oil and gas prices that existed for much of the fiscal year, making it uneconomic to drill. The overall number of First Nations having wells drilled on their lands was down significantly from previous years, and only three of these First Nations had drilling programs of ten wells or more.

Companies have various data requirements related to the drilling of a well. The data requirements cover supplying IOGC and First Nations with copies of provincial well licences, notifying IOGC and First Nations of certain events relating to wells, and submitting information to IOGC and First Nations relating to wells. Sections 11-14 and section 38 of the *Indian Oil and Gas Regulations, 1995* deal with these data requirements.

IOGC uses the information collected for various purposes, such as helping with interpretation of the geology under First Nation lands. IOGC also compiles a well file for each well drilled on First Nation lands to maintain complete well information. A well file includes the well drilling reports, logs and results of any well tests, among other things.

First Nation Interest Wells Drilled from April 2008 through March 2009

Reserve	Number of Wells Drilled				Total
	Oil	Gas	Cased	D&A*	
Alexander Fox Creek #134A, AB	0	0	1	0	1
Big Island Lake #124, SK	0	1	0	0	1
Blood #148, AB	4	0	0	0	4
Carry the Kettle #76-33, SK	0	32	0	0	32
Cold Lake #149, AB	2	0	0	0	2
Louis Bull #138B, AB	1	2	0	0	3
O'Chiese #203, AB	0	3	1	1	5
Onion Lake #119-1, SK	30	0	0	0	30
Puskiakiwenin #122, AB	2	0	0	0	2
Saddle Lake #125, AB	0	3	0	2	5
Stoney #142B, AB	0	1	0	1	2
Sturgeon Lake #154, AB	1	0	0	0	1
Swampy Lake #236, AB	1	0	0	0	1
Swan River #150E, AB	0	0	2	0	2
Unipouheos #121, AB	7	0	0	1	8
Wabasca #166, AB	22	0	0	1	24**
Total	70	42	4	6	123

* Dry and Abandoned, ** Includes 1 water injection well

Notable Operational Improvements

Verification and Validation of Gas and Products Volumes

IOGC must ensure that all volumes are reported accurately for each well and production entity. Having accurate volumes is necessary for IOGC to ensure that First Nations receive the correct amount of royalties, and also helps with proper reservoir management and the greatest possible degree of recovery of these non-renewable resources.

IOGC has completed the design and development of a new subsystem in IOGC's Resource Information Management System (RIMS) for automated verification of gas and products volumes. The system is now in production and we are currently reviewing gas and products production data from fiscal year 2006-2007.

Although there are some over-reporting problems, we are finding mainly under-reporting of volumes. One of the reviews completed so far resulted in a four per cent increase in the royalty due to a First Nation after the under-reported volumes were increased to the correct amount and the royalties re-calculated.

A typical problem we are finding involves wells that have multiple royalty payors. Frequently, each of these royalty payor companies report different volumes for a well. In these cases, we notify the companies of the discrepancies and advise that they have 30 days in which to revise and re-submit their information. After 30 days, we will use the highest volume submitted if corrections are not received.

We are also using results from the automated process to assist with the risk analyses conducted to identify facilities for production reporting reviews and audits.

Prior to development of this improved system, we performed similar manual analysis of computer-generated reports.

Because oil royalties are calculated by using produced volumes rather than sales volumes, we are able to assess royalties based on produced volumes; therefore, these volumes were not included in the automated subsystem.

What are verification and validation?

We use the term verification to describe the process by which we check volume numbers submitted by companies. For verification of gas volumes, we compare production numbers submitted by companies against production numbers reported by regulatory authorities. For verification of gas product volumes, we rely on monthly comparisons and trending.

We use the term validation to describe the process by which we do an in-depth analysis of record keeping and accounting procedures. Validation involves either a Production Reporting Review focusing primarily on record keeping and accounting procedures, a Facility Audit requiring a field inspection, or both. We use a risk-based volume verification process to identify which production entities require a Production Reporting Review or Audit.

Conventional Oil and Gas

IOGC has begun developing standard royalty formulae for conventional oil and natural gas production to better serve First Nation clients. The project follows, and continues the direction of, the Royalty with Certainty key initiative that was concluded in 2008. The intent of the project is the development of a new comprehensive and robust royalty regime, to ensure that all First Nations receive their fair share of oil, gas and gas product revenues. The new regime will also ensure that First Nation royalties maintain their competitiveness with the royalty regimes in their respective provinces. Several formulae have already been drafted, reflecting the range of production and pricing encountered in our First Nations, and IOGC has begun a program of extensive testing and analysis. New royalty structures resulting from this project might eventually be incorporated into new regulations under the new *Indian Oil and Gas Act*, but only if the joint technical committee overseeing the development of those new regulations endorses them.

In-Situ Bitumen and Heavy Oil Recovery

In recognition of the oil and gas industry's application of new technologies for in-situ recovery of heavy oil and bitumen by injecting steam into wells (i.e., by thermal recovery), IOGC has recently completed the development of a new royalty structure specifically designed for those new technologies. This new royalty structure is intended to be implemented in Alberta and currently applies to proposed steam-assisted gravity drainage (SAGD) projects at two Alberta First Nations. With some modification, this royalty structure may be applicable to Saskatchewan First Nations. This new structure also reflects the fair share and competitive principles mentioned above.

More about Conventional Oil and Bitumen Royalty Structures

There are a couple of important differences between the royalty developed for thermal recovery of bitumen and a royalty structure suitable for conventional oil recovery. A commercial scale project for recovering bitumen from oil sands by injecting steam into the reservoir requires huge capital expenditures. A large part of this investment is made very early in the life of the project and must be recovered within a reasonable period of time to allow the project to proceed economically. Large capital expenditures are also made throughout the life of the project in order to maintain a fairly constant level of production for twenty years or more. Also, significant operating costs are incurred due to the need to purchase fuel to raise steam for injecting into the reservoir to mobilize and recover the oil resource.

The province of Alberta uses a generic oil sands royalty structure for all kinds of bitumen recovery projects, including in-situ and mining. It is a combination of what is described as an "ad valorem" royalty, where the royalty is a percentage of the sales value of the oil, and a "resource rent royalty" where, after recovery of the initial capital costs of the project, the royalty payable is a percentage of the net revenue or net profits received.

In developing our IOGC royalty structure for thermal in-situ production of bitumen or very heavy oil, we retained our usual "ad valorem" type of royalty, but provided for the recovery of the high initial capital costs of the project in a time frame short enough to make the project economic. In effect, we developed a three part royalty structure, where the royalty formula changes when a certain cumulative project revenue threshold has been reached. It was designed for projects that will be built in phases of 10,000 to 12,000 barrels per day capacity, reflecting a typical initial capacity of projects of this

type. The IOGC royalty compares favourably with the province's generic oil sands royalty in terms of the resulting economic return to the lessee and to the First Nation. However, it is not as complex as the province's oil sands royalty and is therefore easier to administer.

Another important difference between conventional oil and very heavy oil or bitumen is that the very heavy oil or bitumen has to be blended with a solvent, such as natural gas condensate, before it can be sent to market through a pipeline. If it is sold as a blend, the value of the bitumen in the blend has to be derived in order to calculate the royalty, since royalties are determined using the selling price or value of the produced substance. In

fact, much of the bitumen produced at oil sands operations in Alberta is sent to upgrading plants or refineries, so that it can be converted to various petroleum products. In most cases, the producing company has a proprietary interest in the upgrader or refinery, so that the bitumen is not really sold, but is transferred in a non-arm's length transaction. It is therefore necessary to address the question of the valuation of the very heavy oil or bitumen in the royalty terms of the lease agreement. In conjunction with the development of IOGC's special royalty for in-situ thermal recovery of heavy oil or bitumen, standard royalty terms were written into our lease agreement template, which included the description of the three-part royalty formula as well as provisions for valuing the heavy oil or bitumen.

Abandonment of Wells upon Termination of Subsurface Rights

When a company's subsurface oil and gas rights in an area on First Nation reserve land are terminated, all oil and gas wells within the area must be abandoned. At the time of termination of the rights, IOGC sends a letter reminding the company of the abandonment requirement.

To improve compliance with this requirement, we have undertaken a letter-writing campaign to send further reminders. These reminder letters state that we will contact the appropriate provincial agency to inform of non-compliance with provincial regulations unless we receive abandonment applications. In the first five months of this campaign, we have received 49 applications to abandon wells and five have been abandoned. We have alerted provincial regulatory bodies to one case of non-compliance.

In Alberta, companies are required to abandon wells and facilities upon termination of the lease, pursuant to section 3.012(a) of the *Alberta Oil and*

Gas Conservation Regulations. In Saskatchewan, companies must comply with section 35(1) of the *Saskatchewan Oil and Gas Conservation Regulations*, 1985, which requires them to plug wells after they are no longer used.

Additionally, under subsection 38(2) of the *Indian Oil and Gas Regulations*, 1995, companies must obtain written approval from IOGC, given in consultation with the band council, prior to abandoning a well that has been cased and from which the original drilling rig has been removed.

Amendments to the *Indian Oil and Gas Regulations* are currently being developed. One area in which amendments will be made is the area of enforcement, to ensure that we have our own tools and methods for dealing with compliance issues. Once IOGC's regulations are modernized, we will have additional methods with which to enforce compliance with the requirement to abandon wells.

Human Resources at IOGC

Like any great organization, our most precious resource is our people.

At the end of the fiscal year, IOGC had 74 staff with 47 per cent of them being Aboriginal. Once people come to work for us they tend to stay a while - on average, our employees have been with us for 17 years. Last year only eight staff left IOGC and six of those were because of retirement.

Even with the economic slowdown, when we do need to recruit new staff, it continues to be a challenge. This is particularly true when we are recruiting for positions similar to those found in the oil and gas industry.

To address this challenge, IOGC strives to be an employer of choice. With our Separate Employer status we are able to develop our own human resources plan that addresses our needs while respecting the priorities of INAC and those of the public service as a whole.

We make the training and development of our staff a priority. Each employee has a personal learning plan; corporate training needs are addressed on an ongoing basis; and a tuition reimbursement program is available to staff

pursuing professional development outside of work hours.

To ensure that the work our staff do is described, classified and compensated appropriately, all job descriptions are reviewed regularly through our evergreening process. All positions are eligible for performance pay and we make our overall compensation package as competitive as possible in order to attract and retain highly qualified staff.

We promote work-life balance through the use of compressed work week, flexible hours of work, telework and other measures as appropriate. Our Pride and Recognition program is used to reward employee achievements and recognize staff with long term service. We promote social activities so that IOGC is an enjoyable place to work.

Looking forward, we see that many of our very experienced staff will be eligible for retirement in the next few years and we are taking steps to proactively address the situation by looking at succession planning on an organization-wide and on a position-specific basis.

It is through the collective efforts of our staff that IOGC has been able to deliver on its mandate and will continue to do so into the future.

Six staff retired from IOGC during fiscal year 2008-2009. IOGC wishes them the best of luck in their new pursuits.



Financial Operations 2008-2009

Funding - Expenses, Contributions & Transfers

\$11,677,532

Expenses

Salaries

\$6,506,114

Operations & Maintenance

Inventory Management	94,967
Environment	25,272
Negotiations (Disposition & Amendment)	35,414
Agreement Management	61,951
Royalty	563,928
Compliance	960,396
Corporate Management	679,851
Informatics	313,678
Direct Operations Support	457,306
Policy Management	26
Litigation	0
IOGA Implementation	172,537
FNOGMMA Implementation	252,961
IOGC Board	4,867

Total Operations & Maintenance

\$3,623,154

Contributions & Transfers

IRC Partnership	600,000
IOGC Board	80,000
First Nations Oil & Gas Management Initiative	838,000
Other Contributions & Transfers	90,944

Total Contributions & Transfers

\$1,608,944

Total Expenses, Contributions & Transfers

\$11,374,014

Surplus/Deficit

\$70,462

Revenues Collected on Behalf of First Nations

Royalties	\$216,822,589
Bonus	\$17,897,647
Compensation and Rentals	\$11,831,488
Treaty Land Entitlement 5.08	\$7,885,800

Total Revenues Collected on Behalf of First Nations

\$254,437,525

